Budget Address
2014 - 2015
NORTHWEST TERRITORIES

The Honourable J. Michael Miltenberger
Minister of Finance

Fifth Session of the
Seventeenth Legislative Assembly

February 6, 2014

Kīspin ki nitawihtīn ā nīhīyawihk ōma ācimōwin, tipwēsinēn.

Cree

ʔerihtł'ís dëne sųłiné yati t'a huts'elkër xa beyéyati theʸa ʾat'e, nuwe ts'ën yółti.

Chipewyan

If you would like this information in another official language, call us.

English

Si vous voulez ces renseignements en français, contactez-nous.

Français

Jii gwandak izhii ginjìk vat'atr'ijąhch'uu zhìt yinohthan jì', dìits'àt ginohkhìi.

Gwich'in

Hapkua titiqqat pijumagupkit Inuinnaqtun, uvaptinnut hivajarlutit.

Inuinnaqtun

ᑕᕐᔪᐊ ᑎᑎᖅᑐᑦ ᐱᓕᒍᐱᑦ ᐃᓄᖅᑐᑕᖅᓯᒪᓕᒃᑎᑉ, ᐅᕙᑦᑎᓂᓄᑦ ᐅᖃᓕ ᓴᓇᖅᑐᑎᑦ.

Inuktitut

UVANITTUAQ ILITCHURISUKUPKU INUVIALUKTUN, QUQUAQLUTA.

Inuvialuktun

K'éhshó got'ıne xədá k'é hederi ʾedıhtl'é yeriniwę nídé dúle.

North Slavey

Edi gondı dehgéh got'ıe zhatié k'ę́ę́ edatł'éh enahddhę nide.

South Slavey

Thchǫ yati k'ę̀ę̀ dè wegodı̀ wek'èhoızǫ nę̀ę̀wǫ dè, gots'ǫ̀ goahde.

Thchǫ

Introduction

Mr. Speaker, in 54 days we will be taking responsibility for the management of our lands, waters and resources. With only 605 days left in the life of the 17th Legislative Assembly, when most governments are taking stock, we are taking on new challenges and embracing new opportunities.

Two years ago, this Assembly set out to restore fiscal balance, protect programs and services, and responsibly fund infrastructure investment. We achieved this in the last two budgets by reducing spending growth to half of what it was five years ago. Entering year three of our fiscal plan, we have shown that by working together to manage the spending pressures on programs and services we can attain our fiscal goals in the face of slow revenue growth.

Thanks to that discipline we are in a strong fiscal situation to embrace new program responsibilities for lands, waters and resource management being transferred from Canada, invest in the priorities we set two years ago to address housing needs, poverty, addictions and early childhood development, and we have achieved our goal to increase our capital plan by $100 million over two years to invest in strategic infrastructure to grow our economy.

The 2014-15 Budget represents that continued cooperative approach in balancing fiscal discipline with the urgent priorities of this Assembly. I would like to thank the Members of the Legislative Assembly for their help in putting this Budget together.

These investments represent difficult choices between funding program priorities and funding for infrastructure. Going forward we will continue to make the disciplined choices to maintain fiscal sustainability while still providing the quality programs our residents expect and making infrastructure investments to encourage economic growth.

Economic Outlook

Making disciplined choices about priorities is even more critical as we plan to invest in the infrastructure needed to turn around our fiscal reality through economic growth.

Last decade's dramatic economic growth has been replaced with below average growth since the recession. The Northwest Territories economy has grown in only two of the past five years and we are projecting modest growth in 2013. However, our growth prospects for 2014 are more positive as increased resource exploration activity, the pre-construction work for a new diamond mine, and construction of the Inuvik to Tuktoyaktuk highway and the Mackenzie Valley Fibre Link, point to a strengthening in the economic base.

While resident employment and income have remained healthy, the impacts of reduced economic growth are most readily observed in our declining population. In 2013, the natural increase in our population did not keep pace with the number of people leaving for opportunities elsewhere. A stagnant or declining population over the medium-term reduces economic growth and our ability to fund programs and services critical to Northerners.

If we are to stem this trend, we must do things differently.

Devolution is a very important step in the right direction. We are entering a new type of relationship with resource companies where decisions formerly made in Ottawa will now be made by the territorial government that is accountable to NWT residents. We are looking forward to the responsibility for the management of NWT lands, waters and resources and we take that responsibility very seriously. We, along with our Aboriginal partners, are creating an Intergovernmental Council to continue to move forward in our management of land and resources. We, as a government, are also committed to creating a strong cooperative partnership with the private sector built on mutual respect and trust to create an environment where the full potential of the NWT's many resources are used sustainably to ensure lasting prosperity for NWT residents and communities.

Our economic future rests equally on our ability to develop the infrastructure necessary to support today's and tomorrow's industries and protect our environment. Energy infrastructure that lowers costs, improves system reliability, and reduces environmental impacts, will serve as the backbone of an economic transformation. Communications infrastructure that changes the way we transmit and use information will allow diversification into knowledge-based industries. All-weather roads make it easier for people and goods to travel between communities and reduce costs of doing business. Quality community infrastructure, including housing, is critical to attract the skilled workers we need to strengthen and diversify our economy. Infrastructure that opens new markets, turns previously unprofitable ventures into growth opportunities, and helps our communities prosper, is key to a sustainable economy that balances economic development with respect for our environment.

Our fiscal future is closely linked to our economic prospects and healthy population growth. Our ability to seize economic opportunities as they present themselves means having our fiscal house in order.

Fiscal Strategy

Our fiscal strategy is built on our commitment to adhering to our *Fiscal Responsibility Policy* and achieving the operating surpluses necessary to fund at least half of our planned capital investment, and ensuring debt service payments do not exceed five per cent of total revenues. Within that commitment, we continue to concentrate on our objective of ensuring that the available borrowing authority at the end of the 17th Legislative Assembly is at least $100 million. This is more important than ever as we have been reminded this year of the downside risks in tax revenues.

Both personal and corporate income tax revenue estimates for 2013-14 are lower than what was forecast in the 2013-14 Budget, and beyond 2014-15 both personal and corporate income tax revenue forecasts have been reduced by a combined $30 million.

We are also aware of the risks slow economic growth and a declining population pose for the Territorial Formula Financing Grant, which accounts for an overwhelming majority of our revenues. Over the next five years, our projections for slow NWT population growth and restraint in provincial government spending show that the Grant will grow on average 2.3 per cent per year, less than half of what we've enjoyed over the past five years and less than one per cent above projected inflation.

The most effective way we can grow our revenues is to grow our economy and our population, put more money into NWT residents' pockets, and slow the outflow of residents to other jurisdictions. Therefore, this government is embarking on an initiative to increase the NWT's population by 2,000 people over the next 5 years. Some of the areas of concern are the hundreds of vacant jobs in the NWT, the continued high rate of fly-in fly-out workers, the need to improve the results of the immigrant nominee program and the need to get more of our post-secondary students to return home after graduation to live and work. We are already discussing this initiative with other governments and the private sector and look forward to working with all northerners to make this initiative a success.

At the same time we continue to deliver training programs for the people who are already here, and we will also be undertaking a review of our adult education and post-secondary programs to ensure that NWT residents have the skills to successfully compete for the jobs that exist now and into the future.

Discipline in managing our operating budget is key to generating the surpluses necessary to fund infrastructure to stimulate economic growth. We have little direct control over our revenues, but through control over expenditure growth we can ensure fiscal sustainability into the future. This strategy has given us the fiscal room to invest with the federal government to build the Inuvik to Tuktoyaktuk highway, for the GNWT to fund the Mackenzie Valley Fibre Link, and the major Stanton Territorial Hospital renovation, expected to cost $350 million, in addition to the approved capital plan.

Looking forward, however, our ability to take further advantage of cost-shared projects under the new forthcoming *Building Canada Plan*, including for the benefit of community governments, or private partnership opportunities to advance the Mackenzie Valley highway, is being challenged by competing pressures. Our fiscal attention is split between addressing our $3 billion infrastructure deficit, and the continuous pressure to expand programs, services, and introduce new initiatives. Reduced revenue means that

disciplined choices to continue on the fiscally sustainable path we've set for ourselves will not be enough, and we are prepared to borrow responsibly to make strategic infrastructure investments.

We have a record of sound fiscal management as shown by our Aa1 credit rating from Moody's Investors Service and debt servicing costs below one per cent of revenues. Our fiscal discipline demonstrates that we're capable of managing our own financial affairs, and supports our argument that we have the ability to manage debt should the borrowing limit be increased. We are not looking for handouts, but the financial leeway and tools needed to build our territory. We are in discussions with the federal government to increase the borrowing limit by an additional $1 billion, so we can seize opportunities to transform the economic potential of this territory by making critical infrastructure investments such as the proposed transmission grid expansion and the Wrigley-Norman Wells portion of the Mackenzie Valley highway for the benefit of our residents and industry.

Mr. Speaker, resource revenues have not changed our fiscal strategy because we are starting from the principle that resource revenues from devolution will not be spent on programs and services. We heard overwhelming support for this principle during the budget consultations we held last fall.

Our current fiscal plan is based on five per cent of resource revenues flowing to the Heritage Fund, so that there will be enough remaining resource revenues to make a meaningful investment to address the infrastructure deficit in the immediate term. Current and future generations can equally enjoy the use of roads, hospitals and energy infrastructure as well as the economic benefits that flow from a growing but sustainable NWT economy.

Should this Assembly choose to take a different approach, we will have to change the fiscal strategy, which will mean reducing our capital plan, modifying programs and services, and preventing our full participation in infrastructure programs to grow our economy such as Corridors for Canada III under the forthcoming *Building Canada Plan*. We must also remain nimble in our fiscal planning as resource revenue forecasts are very sensitive to commodity price swings and operational decisions outside our control.

Budget Highlights

Mr. Speaker, the biggest highlight of our $1.612 billion budget is the $59 million to administer our new land, water and resource management programs and services. This will be funded through a $67 million increase in the Gross Expenditure Base in the Territorial Formula Financing Grant, and will grow annually at the same rate. After adjustments, we have about $9 million in flexibility to address unanticipated expenditures associated with implementing devolution and pressures associated with economic growth.

With our new responsibilities come new revenues. Starting 2014-15, we will collect NWT resource revenues and have included an estimate of $120 million in gross resource revenues in this Budget. However, half of the 2014-15 gross revenues will be offset against future Territorial Formula Financing Grants and we will share 25 per cent of the resulting net fiscal benefit with Aboriginal governments.

For budgeting purposes we have included the $15 million Aboriginal government share of the net fiscal benefit in this Budget, but the actual amount will be determined in late 2015 when actual 2014-15 resource revenues are collected and the net fiscal benefit for the year is determined.

Devolution stands out as the largest single reason for the $146 million, or 10.0 per cent increase in expenditures in this Budget but we have also chosen to make $27 million in new investments in healthy and educated people and to expand economic opportunities. The remaining 3 per cent of the growth in spending includes $54 million to address increased salary costs and other forced growth pressures for existing programs and $24 million in other adjustments and amortization, partially offset by $34 million in sunsets.

These expenditures will be funded through a total of $1.846 billion in revenues, leaving an operating surplus of $200 million after infrastructure contributions and deferred maintenance are considered. Consistent with our *Fiscal Responsibility Policy*, we will use the surplus to fund the $223 million capital investment approved by this Assembly for 2014-15. The shortfall will increase our short-term borrowing to $236 million, and bring total borrowing to $658 million by the end of 2014-15, leaving $142 million in borrowing room.

Revenues

We remain committed to keeping a stable tax system. While we continue to index property taxes and fees to inflation where practical, this Budget does not introduce any new taxes.

If we exclude the revenue increases from devolution, other revenues are forecast to increase 2.8 per cent in 2014-15 from the 2013-14 Main Estimates as modest increases in transfers from the federal government are offset almost entirely by a decline in income tax revenues.

Despite declining tax revenue growth, increasing the tax burden on individuals or businesses would not be fiscally prudent. Our tax bases are too small to generate the revenues we need to deliver comparable programs and services to the provinces and we rely on federal transfers for three-quarters of our revenues. These federal transfers are partly determined by our population growth, which means the risk that tax increases may cause a population decline outweigh the potential benefit of more own-source revenues. We are in competition with other jurisdictions for investment and human capital. The most direct path to grow tax revenues is to increase the tax base by fostering sustainable economic growth, growing our population and investing in critical economic infrastructure. This is the path we will continue to follow.

Expenditures

Mr. Speaker, in addition to reflecting the assumption of new responsibilities for lands, waters and resources, this Budget includes investments in strategies to tackle our most intractable issues of poverty, addictions, early childhood development, and slow economic growth. By taking charge of managing our resources and directly addressing issues that have a stranglehold on the potential of this territory, we move closer to achieving this Assembly's vision of strong individuals, families and communities sharing the benefits and responsibilities of a unified, environmentally sustainable and prosperous Northwest Territories.

Investments in New Responsibilities

Gaining control of resource management has been a goal of this territory for decades, and this Budget reflects the financial resources necessary to undertake these new responsibilities and duties.

In total, we have allocated $59 million to undertake the new responsibilities and duties under the Devolution Agreement on April 1, 2014. We have budgeted prudently, leaving fiscal flexibility to fund any additional, and as yet unanticipated, activities necessary to deliver our new resource management program responsibilities. The new funds include $27 million for a new Lands Department to support, manage and administer the sustainable use of public land in the NWT and $32 million to fund expanded mandates and responsibilities of existing departments. The Department of Environment and Natural Resources will have an additional $14 million to manage water resources, contaminated sites and remediation, conservation planning and cumulative impact monitoring. The budget for the Department of Industry, Tourism and Investment will increase by $13 million to deliver program responsibilities for petroleum and mineral resource exploration, development and rights, administration of the royalty regime, and related Aboriginal consultation and NWT regulatory system guidance. The remaining funding is allocated to central agencies to support the new responsibilities for handling assets and additional administration.

This program transfer is the last major transfer of responsibility to the GNWT. We have highly skilled and effective teams with experience devolving programs, who have been fully engaged with their federal counterparts to ensure that goal of a successful and seamless transition on April 1 is achieved. There will be no dramatic changes coming in the administration of land, rights in respect of water, and resources, other than the GNWT will be responsible – not Ottawa. We are committed to creating a transparent and stable program for land, water and resource management to enable environmentally sustainable economic development.

Investments in our People

Mr. Speaker, this Budget continues to support our most vulnerable populations: children, those living in poverty, and those suffering from mental health and addictions issues. Investments targeting these vulnerable groups will help us achieve our goal of healthy people free from poverty.

Beginning with the youngest ones, who depend on the right supports in their first years to set them on a path for a healthy future, this government will be implementing junior

kindergarten for four year olds. Research shows that a child's level of development at the age of five can predict the child's academic future. Unfortunately, over one-third of NWT children start school already significantly behind in their overall health and development. Creating a junior kindergarten at no cost to families will put our resources where they will have the greatest impact. Beginning with a reallocation of $1.8 million in 2014-15, junior kindergarten will be implemented in the smallest NWT communities where the greatest need has been identified. The goal is to have junior kindergarten available in all communities within three years at an ongoing cost of $7.2 million.

In addition to this transformative step, we are devoting $2 million in new funding to initiatives to support other aspects of the *Early Childhood Development Framework*. Of that, $511,000 will increase the number of qualified early education and care professionals in licensed programs through wage and training incentives, and $1.5 million is provided to improve outreach to expectant mothers, strengthen regional Healthy Family Programs, and raise awareness on the importance of early childhood.

We are also continuing our efforts to expand Midwifery programs, including the hiring of two-full time midwives in Hay River. This year's $515,000 investment is the second year of a multi-year plan to expand service options to expectant mothers, bringing our total investment to nearly $1 million.

Taking action to respond to the *Anti-Poverty Strategic Framework* is a priority for this Legislative Assembly and we have added $2.6 million in new funding for actions to support this *Framework*. This funding includes $1 million to provide healthy and nutritious food to children and youth through early childhood, school and after-school programs, $500,000 to fund non-governmental organizations and Aboriginal governments for projects that support the priorities in the *Framework*, and $680,000 for transitional housing units in four non-market communities to support "hard to house" residents unable to access other housing options.

We are addressing the recommendations of the Minister's Forum on Addictions and Community Wellness with $2.6 million in new funding above the $4 million in direct spending already included in this Budget to support mental health and address addictions issues. This includes $900,000 to establish community based on-the-land healing programs that are rooted in Aboriginal culture and tradition and build on best practices for treating addictions. The mental health funding also includes $500,000 for a Children and Youth Resiliency Program that supports community programming aimed at mental and physical development for children and youth. Our prevention and early intervention programs are designed to promote wellness and healing, and to reduce the need for treatment programs in the longer run.

Finally, $305,000 will be invested in developing and implementing a specialized Wellness Court that would benefit clients who come into contact with the justice system and are suffering from issues related to mental health, addictions, and cognitive impairments. Offering an innovative approach to wellness and reducing contact with the justice system supports this Assembly's goal of sustainable, vibrant and safe communities. In order to support the success of such a court, this Budget also invests $895,000 to establish a collaborative case management pilot program. Breaking down barriers between departments and agencies and integrating case management for common clients with mental health and addictions needs, is essential to improving the

experience of those clients when interacting with various social programs and managing common outcomes.

Improving Service Delivery and Efficiency

Mr. Speaker, in our first Budget Dialogue a year and a half ago, NWT residents made it clear that they wanted us to improve outcomes by doing things better and more efficiently within our normal programming. We were able to fund junior kindergarten through savings in other school programs and we are responding with investments in this Budget to improve program delivery for our residents while, at the same time, making program delivery more efficient and cost effective.

This Budget invests $790,000 to continue the implementation of the new Med-Response service, which will provide community health care practitioners with remote emergency clinical support, and will triage and coordinate NWT air ambulance services. Another $1.36 million will allow Health Authorities to tap into shared information systems expertise at the Technology Service Centre, and $1.15 million will establish an Information Systems Service Centre to consolidate support for enterprise-wide health and social services application systems.

Nearly $1 million will be used to complete the Financial Shared Services implementation, an initiative aimed at improving the GNWT's service orientation, providing broader career options for regional finance staff and improving organizational efficiency and timeliness. Work also continues on the establishment of a government-wide Procurement Shared Services Centre on April 1, 2014, which will standardize practices and processes and allow departments to focus on program delivery by merging the support functions specializing in the management of procurement. These investments continue the work of the last Assembly to refocus government to improve the effectiveness and efficiency of government operations.

Decentralization – Moving Jobs to the Communities

Mr. Speaker, this government continues to press forward on its goal to increase employment opportunities where they are most needed by decentralizing GNWT positions. We started Phase 1 in 2013-14 when we decentralized 18 positions outside Yellowknife. Phase 2 starts in 2014-15, as we build our decentralization objectives into our post-devolution organization. We are placing 52 new positions created to deliver our new land, water and resource management programs in the regions and an additional 50 positions to administer other programs will be placed outside of Yellowknife. Phase 3 is also starting this year and is to develop a longer term plan that considers existing obligations, regional capacity and vacancies, and the impact of government spending. Bringing government closer to the people it serves not only improves service delivery but also helps build a better understanding of programming needs.

The GNWT is also working to build capacity in the regions to prepare for decentralization. This includes a planning study for office space to address potential office space shortfalls, as well as investments in housing stock. The lack of adequate housing options in non-market communities has long been a concern, and our efforts to move more government positions into these communities are creating an even greater demand for housing. We are spending $7.5 million in 2014-15 as the first year of a three-year $22.6 million investment to add 100 units for rent at market rates in smaller NWT communities, and up to 69 additional units through partnerships with communities or

private developers. Service delivery in smaller communities often suffers when we can't recruit or keep the right people because of a lack of housing options, and adding new housing will improve program delivery and may save money in the long run. This investment is above the $5 million we are already adding to the NWT Housing Corporation's 2014-15 capital budget for housing, which is part of the $10 million we will invest over the next two years to improve the quality of our public housing stock.

We are using key initiatives like the GNWT *Workforce Planning Strategy* and the Regional Recruitment Program to address barriers to employment in communities and ensure that our decentralization efforts are successful. The Regional Recruitment Program helps departments, boards and agencies recruit NWT residents to fill regional job vacancies, and helps placements be successful through up to one year of on-the-job training.

Investments in our Economy

Mr. Speaker, economic prosperity not only reduces social program pressures by engaging people in productive employment and healthy choices, but determines our ability to fund social programs and services. If we do not attend to our slow economic growth now, we will jeopardize our ability to fund programs and services our residents rely on in the future.

This government is partnering with NWT residents and business to expand private sector economic opportunities. Over the past year we have undertaken several collaborative efforts to understand how we can best support sustainable mineral development, expand economic opportunities in other sectors, and leverage alternative energy to reduce our dependence on fossil fuels and lower the cost of living. This Budget invests in the priorities that emerged from those efforts.

We are devoting $1.9 million in new funding in this Budget to address the recommended actions in the *Mineral Development Strategy*. This funding includes $655,000 to provide better and more comprehensive geoscience information and research, $400,000 for a NWT Mining Incentive Program aimed at attracting mineral exploration, and $200,000 to market the NWT as an attractive place for mineral exploration and development investment. Work will also be undertaken to investigate ways to improve access to the mineral-rich Slave Geologic Province. Investments will be made in mining workforce development, including the delivery of Geoscience Field Assistant Training, and linking NWT businesses with supply opportunities for the mining industry.

We continue to invest to ensure the Sahtu oil and gas exploration takes place in an environmentally sustainable manner and to the benefit of local residents and businesses. In addition to the $1.2 million announced in last year's Budget to support NWT residents in capturing benefits and managing impacts, we are adding $742,000 in 2014-15. Our response includes a new Environmental Health Officer, enhanced assessment, monitoring and mitigation of environmental impacts, and hiring highway maintenance supervisors and transport officers to respond to higher traffic volumes on the Mackenzie Valley Winter Road with additional monitoring and enforcement resources.

Our work continues to diversify our economy away from a dependence on non-renewable resources through $1.2 million in new funding to initiatives supporting the *Economic Opportunities Strategy*. This work will include the development of an

agriculture strategy and regional economic plans. Direct support will be provided to small businesses outside regional centres to attract critical human resources, through a pilot rebate program for the film industry, and increased support to the tourism industry, including the establishment of a Convention Bureau. 2014-15 will also be the first year of a two-year $1.7 million investment to support the commercial fishing industry in capitalizing on domestic commercial market demand.

However, the long-term health and growth of local industries and business cannot be achieved through piecemeal approaches, but requires a fundamental change in the economic equation they are facing. In a territory of more than 1 million square kilometres, infrastructure is the best mechanism by which that equation can be changed. Infrastructure opens markets, lowers costs, and improves productivity in all sectors.

This year, this government took the first step in advancing one of the most important infrastructure projects of our time: an all-weather highway down the Mackenzie Valley. The first section, the Inuvik to Tuktoyaktuk highway, will connect Canada from sea to sea to sea. This partnership with the federal government provides a much needed immediate economic stimulus to the region, but also the potential for longer term economic growth.

Our fiscal strategy plans to leverage more federal partnership opportunities in infrastructure investment with the new *Building Canada Plan*.

We also look forward to private partnership opportunities to connect Norman Wells to Wrigley, should the Sahtu oil play prove viable. The vision of a highway that spans the entire Mackenzie Valley will not be accomplished overnight, but we are doing the regulatory legwork now to be ready to take advantage of the opportunity to advance that vision.

The right type of infrastructure investment can also spark diversification into new industries, transforming challenges, such as geography, into economic opportunities. Capitalizing on Inuvik's location by building the Mackenzie Valley Fibre Link will transform the Inuvik Satellite Station Facility into a world-class satellite receiving station. Reliable high speed internet in our communities will transform the way services are delivered and expand the breadth of opportunities available to residents, from training to small business ventures. The Mackenzie Valley Fibre Link is on target to begin construction in the winter of 2015, with completion expected in the summer of 2016.

The NWT Power Corp. is commissioning a new LNG facility in Inuvik, the northernmost LNG installation in North America and the first of its kind in northern Canada, saving money and benefiting the environment. We anticipate further LNG use in all off-grid communities with a permanent road connection and in areas potentially requiring significant new generation capacity like the North Slave.

This year we will also complete the business case for an integrated power transmission grid between the North Slave and South Slave hydro systems and the Canadian grid. An NWT Grid will stabilize costs and services. It will help us maximize the benefits of existing hydroelectric generation assets and reduce our reliance on imported diesel, and its associated greenhouse gas emissions. This is a cornerstone of our 20-year vision for electricity supply, which in combination with the Energy Plan, supports a brighter economic and environmental future for our territory.

Investments in our Environment

The sustainability of our environment is inseparable from our economic sustainability. The air, land, water, and wildlife are the riches on which our economy is built.

Mr. Speaker, this Budget devotes $5.4 million to support *Energy Plan* initiatives that will reduce greenhouse gas emissions by lowering our fossil fuel use, including $1.4 million to finish the business plan and design for the proposed 65 km transmission line connecting Whati to the Snare hydro system. Funding will be provided for a broad range of alternative energy projects, including $450,000 for biomass, $625,000 for solar, $100,000 for wind, and $700,000 to continue the NT Energy Corp.'s pursuit of renewable energy options. Support will also be given directly to communities, businesses and residents in support of their efforts to implement energy efficiency measures and alternative energy projects, such as small scale biomass heating.

We continue to invest in lowering utility costs in public assets, including $700,000 for energy efficiency improvements in public housing units. The GNWT is already reaping the benefits of past energy conservation investments under its Capital Asset Retrofit Fund program and renewable energy projects. In 2014-15, realized savings of $832,000 in utility costs generated from previously completed energy conservation and renewable energy measures, mainly biomass conversions, will be reinvested in the program to undertake new projects that will help manage our future energy consumption and further reduce our dependence on fossil fuels. As of 2011-12, investments in our building infrastructure has helped us re-profile nearly $1.5 million in annual operating costs to support future investments through the Capital Asset Retrofit Program.

The NWT continues to lead in the area of biomass development. We initially focused on building a market. Now we are lending support to forest management agreements with Aboriginal governments. With a committed northern business, we will see the building of the biomass industry in the NWT, using northern resources and labour, in partnership with Aboriginal governments. This industry will meet northern demand as well as the growing export market. Construction is expected to start this year.

Work is also continuing to implement the *Water Stewardship Strategy* to protect this fundamental component of our cultural, spiritual, economic and social well-being. The management of waters is a shared responsibility, and transboundary agreements with upstream jurisdictions are critical in helping ensure the waters of the NWT remain clean, abundant and productive. This Budget invests $655,000 to support transboundary water negotiations in support of the NWT Water Stewardship Strategy Action Plan. Expansion of community-based water monitoring programs and development of a practical community-based cumulative effects monitoring framework will continue.

The GNWT is also enhancing efforts at ensuring the NWT boreal caribou population is self-sustaining and its critical habitat is protected. This Budget includes an additional $425,000 in ongoing funding for boreal caribou monitoring, and development of range management plans. Implementation of the *NWT Barren-ground Caribou Management Strategy* includes the deployment of satellite collars in preparation for population surveys of all barren-ground caribou herds in 2015, support for a multi-party effort to develop a range plan for the Bathurst herd as well as the development of a long-term mechanism to manage the herd.

Looking Ahead

In looking ahead, it is useful to imagine the next generation looking back at what we've done today. Will they say that we have provided them with good educations and created the conditions through infrastructure and skills training to support a robust and diversified economy while protecting our environment?

We have protected our core programs and services and at the same time enhanced those that needed more resources, especially those that help improve the lives of NWT residents. At the same time, we met the challenge of managing expenditure growth so that we have the resources to invest in infrastructure and take advantage of federal cost-shared infrastructure programs such as the forthcoming *Building Canada Plan*.

The scale of infrastructure needed to grow the economy cannot be funded through operating surpluses alone and we are prepared to borrow for strategic infrastructure. We are working with the federal government to enable that investment through an increase to the federally-imposed borrowing limit.

This Budget made good on the promise made two years ago that if we made the disciplined choices to manage expenditure pressures, we would be able to increase our infrastructure investments in years three and four of our plan. We succeeded despite a decrease in forecasted revenues. That success gives us renewed strength to stick to our fiscal sustainability plan and continue to meet the challenge of competing spending priorities.

Conclusion

Our success is only guaranteed by our commitment to our fiscal strategy to generate operating surpluses to fund at least half of our infrastructure, and to our fiscal discipline as we maintain a $100 million cushion in our borrowing room. By sticking to our fiscal plan we keep borrowing costs down through a well-earned Aa1 credit rating. This Budget demonstrates our continued commitment to fiscal discipline and fiscal sustainability.

Mr. Speaker, this Budget represents the co-operative effort of this Legislative Assembly to make the disciplined choices about what program priorities to fund while still leaving enough operating surpluses to take advantage of federal cost-shared funds to start making a dent in our infrastructure deficit and grow our economy. As we take over responsibility for the management of our lands, waters and resources, we have a renewed sense of what we can achieve together to sustainably grow our economy, to provide good jobs for our residents, and to protect our environment. Through this Budget we are collectively embracing these new challenges and opportunities.